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Top News - Oil

OPEC cites risks to summer oil outlook as backdrop to shock cut

OPEC on Thursday flagged downside risks to summer oil demand as part of the backdrop to output cuts announced this month by OPEC+ producers, shedding some light on the factors behind the surprise move that has led to a rise in oil prices.

Some members of OPEC+, which includes OPEC, Russia and others, announced new voluntary production cuts on April 2 taking effect from May. The unexpected move has prompted oil to rally towards $87 a barrel from below $80.

OPEC+ gave little information on the reasons for the surprise cuts, saying in a statement they were a "precautionary measure" to support market stability. Some OPEC delegates told Reuters they did not know the exact reasons for the reduction.

But in a discussion on the summer market outlook in its monthly oil report on Thursday, the Organization of the Petroleum Exporting Countries (OPEC) said oil inventories looked more ample and global growth faced a number of challenges.

"OECD commercial inventories have been building in recent months, and product balances are less tight than seen at the same time a year ago," OPEC said, referring to the Organisation for Economic Co-operation and Development.

OPEC also said the usual U.S. seasonal demand uptick could take a hit from any economic weakness due to interest rate hikes, and the reopening of China after strict COVID-19 containment measures were scrapped had yet to stop a decline in global refining intake of crude.

"It should be noted that potential challenges to global economic development include high inflation, monetary tightening, stability of financial markets and high sovereign, corporate and private debt levels," OPEC said.

Still, OPEC maintained its forecast that oil demand will rise by 2.32 million barrels per day (bpd), or 2.3%, in 2023 and nudged up its forecast for China. The global figure was unchanged for a second straight month.

OPEC left its 2023 economic growth forecast at 2.6% and cited potential downside risks. Still, it said the spillover from U.S. bank failures in March had had a limited economic impact.

Oil weakened after the report was released with Brent crude falling below $87 a barrel.

OUTPUT FALLS

The report also showed OPEC's oil production fell in March, reflecting the impact of earlier output cuts pledged by OPEC+ to support the market as well as some unplanned outages.

For November last year, with prices weakening, OPEC+ agreed to a 2 million bpd reduction in its output target - the largest since the early days of the pandemic in 2020.

The April 2 voluntary cuts bring the total curbs pledged by OPEC+ to 3.66 million bpd, equal to 3.7% of global demand.

OPEC said its March output fell by 86,000 bpd to 28.80 million bpd, with declines in Iraq and Angola. Iraq's northern exports were halted, while Angola shut an installation for maintenance.

The report kept its estimate of the amount of crude OPEC needs to pump in 2023 to balance the market steady at 29.3 million bpd, suggesting there will be a deficit if OPEC keeps pumping at March's rate or makes further cuts.

Russia boosts Q1 gasoline exports, finds buyers in Africa to replace Europeans

Russia boosted gasoline exports by nearly 50% year-on-year in the first quarter, shipping cargoes directly to Africa as it carved out new trade routes after the European Union sanctioned Russian oil, ship tracking data showed.

Russia stepped up shipments of the motor fuel to African countries such as Nigeria, Tunisia and Libya after the European Union banned Russian products on Feb. 5.

A $100 per barrel price cap on Russian gasoline and gasoil imposed by the Group of Seven Nations, the EU and Australia has forced Moscow to find new markets. It had previously been exporting around 2.5 million tonnes (60,000 barrels per day) of gasoline annually to Europe.

Russia's efforts to boost gasoline sales to Africa have been helped the a reduction in exports from the Netherlands, where new regulations came into force on April 1 requiring fuel blends for export markets to meet standards on sulphur, benzene and manganese content.

"It looks as if Europe has been losing some market share to Russia in terms of gasoline exports to Nigeria," analysts at consultancy FGE said in a note.

The price cap on gasoline is more than twice the cap imposed on naphtha, making it more profitable Russian sellers to blend naphtha into gasoline, FGE noted, and sell at $100 per barrel rather than just $45.

Russia exported 1.9 million gasoline between January and March this year, up from 1.3 million tonnes in the first quarter of 2022, data from Refinitiv showed.

Another ship tracker Kpler pegs January-March exports at 2.2 million tonnes, up from about 1.5 million tonnes in the same period last year.

Moscow typically exports more gasoline during winter months, when domestic demand is subdued and its refineries are shut for maintenance, analysts said.
But has been forced to find alternative buyers after the commercial hubs of Antwerp-Rotterdam-Amsterdam and the Latvian port of Ventspils shunned its products.
Africa imported record volumes of Russian gasoline in the first quarter at 812,000 tonnes, equivalent to about a third of Russia's total exports of the motor fuel, Kpler data showed.
Before the EU ban, Russia would export gasoline to Africa mostly via Ventspils, where it is blended with Russian naphtha to meet importers' specifications.
Ventspils imported about 550,000 tonnes of Russian gasoline in the fourth quarter, which was slated to reach Africa in early 2023, Refinitiv data showed. However, gasoline loadings from Latvia to Africa dried up completely in March.
Nigeria emerged as the top African buyer of Russian gasoline, importing 488,000 tonnes in the first quarter, up from 38,000 tonnes in the same period last year, according to Kpler data.

Top News - Agriculture

Russia says Black Sea grain deal may be nearly over
Russia on Thursday said there would be no extension of the UN-brokered Black Sea grain deal beyond May 18 unless the West removed a series of obstacles to the export of Russian grain and fertiliser.
The Ukraine grain Black Sea export deal was brokered by the United Nations and Turkey in July last year to help alleviate a global food crisis worsened by conflict disrupting exports from two of the world's leading grain suppliers.
"Without progress on solving five systemic problems ... there is no need to talk about the further extension of the Black Sea initiative after May 18," the Russian foreign ministry said in a statement.
"We note that, despite all the high-sounding statements about global food security and assistance to countries in need, the Black Sea Initiative both served and continues to serve exclusively commercial exports of Kyiv in the interests of Western countries," the ministry said.
To help persuade Russia to allow Ukraine to resume its Black Sea grain exports last year, a separate three-year agreement was also struck in July in which the United Nations agreed to help Russia with its food and fertilizer exports.
Russia said the two agreements were "interconnected parts of one 'package'", and scolded the UN Secretariat for what it said was a distortion of the facts.
U.N. spokesman Stephane Dujarric said "discussions, communications are still going on with the parties" and that U.N. officials were determined to ensure the implementation of both deals.
He said in relation to Russia's exports "there's still a lot of critical issues that need to be resolved over payments and other technical issues" that U.N. officials were trying to fix.
But he noted that "there's been some concrete results that contribute to larger grain trade volumes, lower freight rates and an increased number of ships that have called at Russian ports for fertilizer and lowering in insurance."
"So we've made some progress, but we continue to push to make more," Dujarric said.

RUSSIAN DEMANDS
Western powers have imposed tough sanctions on Russia over its Feb. 24, 2022, invasion of Ukraine. Its food and fertilizer exports are not sanctioned, but Moscow says restrictions on payments, logistics and insurance are a barrier to shipments.
The foreign ministry said Russian Agricultural Bank (Rosselkhozbank) had to be reconnected to the SWIFT payment system, that supplies of agricultural machinery and parts needed to be resumed and that restrictions on insurance and reinsurance needed to be lifted.
Other demands include access to ports, the resumption of the Togliatti-Odesa ammonia pipeline that lets Russia pump the chemical to Ukraine's port, and the unblocking of assets and the accounts of Russian companies involved in food and fertiliser exports.
"The removal of obstacles to domestic agricultural exports was supposed to take place within the framework of the implementation of the Russia-UN Memorandum," the ministry said.
Russia said there had been a failure of the inspection regime of ships carrying grain from Ukraine.
"Currently, 28 vessels carrying more than 1 million tons of food are awaiting inspection in the territorial waters of Turkey," the foreign ministry said.
It accused UN staff in the Joint Coordination Center of refusing to draw up an inspection schedule.
"In turn, an even more difficult situation has developed around the registration of bulk carriers," the ministry said, denying that Russia was responsible for any of the congestion and accusing Ukrainian port officials of accepting bribes to accelerate registration.

Food security drives China to cut soymeal use in animal feed

China's agriculture ministry issued a three-year action plan on Friday to reduce soymeal use in animal feed as it continues to try to reduce its heavy reliance on soybean imports.

The new plan proposes that soymeal ratios in animal feed should be reduced to under 13% by 2025, down from 14.5% in 2022.

Authorities in the world's top soybean importer already issued guidelines in 2021 to its animal feed industry recommending lower soymeal ratios.

The new plan would "guide the feed industry to reduce the amount of soybean meal, promote the saving and consumption reduction of feed grains, and contribute to ensuring the stable and safe supply of grain and important agricultural products", said the document published by the Ministry of Agriculture and Rural Affairs.

Top News - Metals

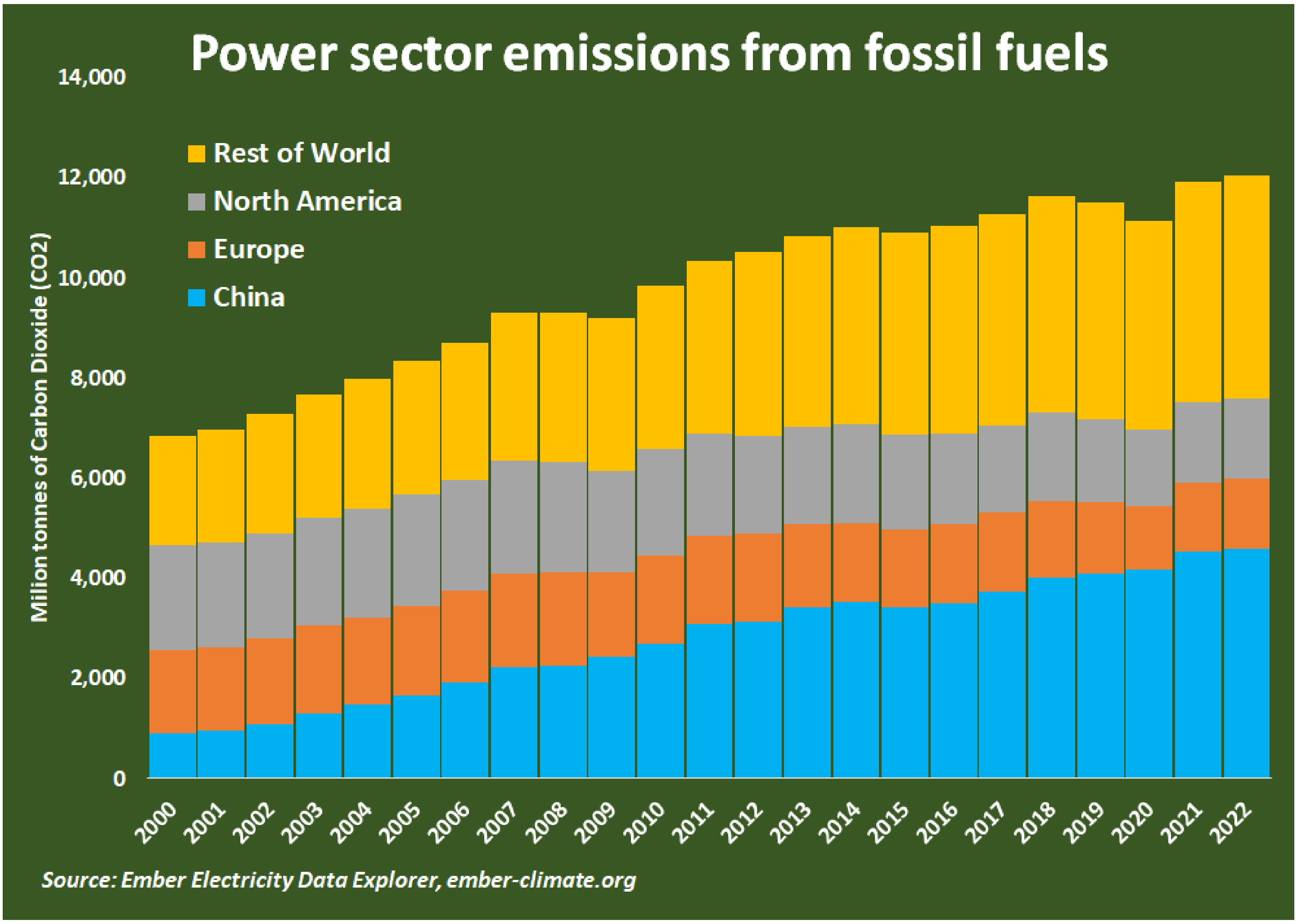
Chile mining minister sees copper 'production slump' reversing

Chile's copper production should pick up in the coming years after a recent slump, mining minister Marcela Hernando told Reuters on Thursday, adding that dialogue with mining firms over planned tax and royalty changes was helping ease industry concerns.

The Andean country is the world's top producer of copper, which is key to the global push towards vehicle electrification, but it has seen production slide in recent years.

Chile's "production slump" was caused by a drop in mineral grades, delays in some projects, accidents, and other logistical obstacles, said Hernando, acknowledging too that companies had complained about policy

Chart of the Day



uncertainty since the center-left government of President Gabriel Boric took power last year pledging higher taxes and a new constitution.
"We hope that rut, that we have to go through anyway, will be significantly made up for over the next few years," she said, adding that there was nearly $74 billion in planned mining investments in the country to 2031, much of it in copper.
Chile, home to major mines of state behemoth Codelco, the world's top copper producer, BHP Group, Glencore Plc, Anglo American and Teck Resources, saw a 5.3% year-on-year production drop of the metal last year.
The industry has criticized government plans to increase the tax burden on the sector, saying it would hit the country's competitiveness against neighboring no. 2 producer Peru, though Hernando countered that Chile offered stability.
"What these firms value above all is stability," she said at her office at the mining ministry in Santiago. "And one of the things that is recognized in this country is political stability and respect for laws and international treaties."
On April 17, the world's top copper players will travel to Chile for the first in-person CRU World Copper Conference since the start of the pandemic to discuss demand, prices, supply and other industry topics.
Hernando said she expected demand for copper to rise strongly due to the fight against climate change and shifts to electrification from fossil fuels, and cited positive signs about returning investment in Chile.
On price, she expected the metal to remain stable, targeting an average price this year of $3.85 per pound, in line with forecasts from state regulator Cochilco and the central bank.
"When we make projections, we try to be as conservative as possible and in this context we prefer to stay with market expectations," Hernando said. "It is close to what Cochilco has already anticipated and therefore there will not be many variations in that."

Mexico's mining law overhaul could cost $9 bln in coming years, says mining chamber
The head of Mexico's mining chamber on Thursday issued a stark warning against a proposed overhaul of the country's mining laws, saying this could cost the country some $9 billion in lost investment in coming years and up to 420,000 direct jobs.
The overhaul, proposed by the government last month, would include shortening concessions to 15 from 50 years, tightening rules for water permits and requirements to give back at least 10% of profits to communities and disclose mining impacts.
Mexico is the world's top silver producer and one of the largest producers of copper and gold. Last year, its government announced the nationalization of the country's nascent lithium industry, favoring a new state-run miner.
Jaime Gutierrez, the president of the Camimex mining association, said the move would hit investors' confidence in the market and that though it was prepared to make compromises, it considered certain proposals "completely unviable".
Gutierrez pointed to a proposal the state take over all exploration operations, saying it does not have the technical capacity nor the funds to do so. Camimex invests some $1 billion annually in exploration, he said.
He also blasted a proposal to grant concessions to mine only one substance, as metals are found in the earth with various other minerals. "Demanding such things shows a complete lack of understanding of the industry," he said.
If the reform does go through, Gutierrez added, this could open the door for more trade disputes under the North American free trade pact over a reform increasing state control over its energy sector.
Gutierrez said the chamber was in talks with government officials and hoped to present their arguments in an open forum before Congress. Mexico's government did not immediately respond to a request for comment.
"The government's job is to distribute wealth, companies' job is to generate it," he said. "We need to ensure that companies keep functioning so they can continue to generate this wealth."

Top News - Carbon & Power

Biden admin greenlights LNG exports from Alaska project -document
The Biden administration on Thursday approved exports of liquefied natural gas from the Alaska LNG project, a document showed, as the United States competes with Russia to ship natural gas from the Arctic to Asia.
The Department of Energy approved Alaska Gasline Development Corp's (AGDC) project to export gas to countries with which the United States does not have a free trade agreement.
Backers of the roughly $39 billion project expect it to be operational by 2030 if it gets all the required permits. The LNG would be exported mainly to countries in Asia.
The Alaska LNG project includes a liquefaction facility on the Kenai Peninsula in southern Alaska and a proposed 807-mile (1,300-km) pipeline to move gas stranded in northern Alaska across the state.

The project, for which exports were first approved by the administration of Donald Trump, has been opposed by environmental groups. The Biden administration undertook an environmental review of the project, concluding it has economic and international security benefits and that opponents had failed to show the exports were not in the "public interest."
The Biden administration modified the previous approval to prohibit venting of the greenhouse gas carbon dioxide associated with the project into the atmosphere.
Still, the decision was decried by an environmental group. "Joe Biden’s climate presidency is flying off the rails," said Lukas Ross at Friends of the Earth.
Ross said it was the second U.S. approval of a "fossil fuel mega-project" in as many months.
The Biden administration last month approved the ConocoPhillips $7 billion Willow oil and gas drilling project on Alaska's North Slope.
Russia plans to start at end-2023 the first of three lines at its Arctic LNG-2 project, which is among the world's largest LNG facilities.
The Biden administration is trying to approve more U.S. LNG exports as it competes with Russia, traditionally one of the world's largest energy exporters.
Russia is under pressure from Western sanctions for its invasion of Ukraine, and the U.S. has boosted LNG exports to Europe after Moscow cut gas pipeline shipments to the continent.

COLUMN--Europe’s gas outlook transformed after mild winter: Kemp

Europe has ended the winter of 2022/23 with a record volume of gas in storage – which leaves much less refill needed ahead of the next heating season in 2023/24.
Inventories in the European Union and the United Kingdom amounted to 632 terawatt-hours (TWh) on March 31, according to Gas Infrastructure Europe (“Aggregated gas storage inventories”, GIE, April 13).
Stocks were at a record high for the time of year and an extraordinary 350 TWh (+80% or +2.40 standard deviations) above the seasonal average for the previous ten years.
The situation has been transformed from the same date last year when inventories were just 300 TWh and 53 TWh (-15% or -0.46 standard deviations) below the seasonal average.
As a result, prices have slumped, with front-month futures down to 48 euros per megawatt-hour on March 31 from 189 euros at the start of the heating season on Oct. 1 and a record 339 euros on Aug. 26.

RECORD REFILL IN 2022

Record end-of-winter inventories are a consequence of a record start-of-winter stock; a mild winter, especially in the first half; and significant cuts in industrial gas use.
The European Union and United Kingdom added an unprecedented 788 TWh of gas to storage in 2022 to prepare for a possible interruption of pipeline supplies from Russia.
The refill started on the second-earliest date on record (March 19) and continued until the latest date ever recorded (Nov. 13), lasting for 239 days compared with an average of just 203 days over the previous ten years.
Refill was also faster and more consistent than usual, with 3.30 TWh added per day compared with an average of 2.96 TWh in 2012-2021.
As a consequence, inventories started the traditional winter season at 996 TWh on Oct. 1 and continued building to reach 1,079 TWh on Nov. 13, a much higher and later peak than normal.
The scramble to fill storage regardless of cost, particularly in Germany, was responsible for causing futures prices to spike to a record high in July and August.

MILD START TO WINTER

High prices coupled with government mandates to reduce consumption and warmer-than-normal temperatures through the first half of winter extended the refill season and delayed the onset of drawdown, a double benefit that stretched inventories even further.
The first part of the heating season was exceptionally mild in Northwest Europe, with only 860 heating degree days at Frankfurt in Germany by Jan. 15, which was 16% fewer than the average since 2000.
The second part of the heating season was also mild, but less exceptional, with 761 heating degree days from Jan. 16 to March 31, just 8% below the long-term average.
For Europe as a whole, both October and January were the warmest on record; warmth in January was especially significant because it is normally the month with the highest heating demand.
The emergence of warm weather in January, first forecast a month earlier, accelerated the slump in gas prices to 57 euros on Jan. 31 from 149 euros on Dec. 7.

REDUCED CONSUMPTION

Europe’s gas consumption was sharply reduced in winter 2022/23 compared with previous years.
The European Union’s top seven consumers (Germany, Italy, France, Netherlands, Spain, Belgium and Poland) used 18% less gas than the average for the previous ten years between October and January.
High prices and government mandates to reduce consumption had their biggest impact on the most energy -intensive users.
Makers of fertilisers, steel, cement, ceramics, glass and chemicals all reported capacity closures or longer than usual shutdowns over the Christmas and New Year holiday period.

Households and other commercial users made less obvious reductions in consumption, mostly in line with warmer temperatures rather than signalling profound behaviour changes.

PLENTIFUL GAS STOCKS

Europe's gas inventories depleted by only 450 TWh between their peak in early November and their minimum in early April, compared with an average peak to trough drawdown of 588 TWh in the previous ten years.

Europe emptied around a third of its gas storage space over the whole drawdown period compared with an average of 53% over the previous decade.

The region has entered the 2023 refill season with storage almost 56% full on March 31, a record high for the time of year, compared with 26% at the same point in 2022 and a ten-year average of 33%.

The outlook for the rest of 2023/24 is therefore very different from 2022/23. Europe will need a smaller-than-average refill in 2023 which should relieve some of the upward pressure on prices.

Even if storage is topped up to the maximum, however, Europe will still need to discourage consumption next winter, which is likely to require some combination of industrial closures, recession and high prices later in the year.

Top News - Dry Freight

Algeria buys around 400,000 to 450,000 T durum wheat in tender – traders

Algeria's state grains agency OAIC is believed to have purchased about 400,000 to 450,000 tonnes of durum wheat in an international tender, European traders said on Thursday.

It was suspected to be sourced from Mexico and Canada. Some estimates said about half each from each origin.

Traders initially estimated the Mexican prices at around $412 and $413 a tonne cost and freight (C&F) for consignments in large panamax-sized bulk carriers and around $422 to $423 a tonne C&F for smaller handy-sized ships from Mexico.

Traders initially estimated the Canadian prices at around $423 and $424 a tonne C&F for consignments in large panamax-sized bulk carriers and around $430 a tonne C&F for smaller handy-sized ships from Canada.

Some purchases were made on Wednesday evening and some on Thursday. It is believed the tender is now over.

Shipment was sought in four periods between May 1-15, May 16-31, June 1-15 and June 16-30.

Algeria does not disclose the results of its tenders and results reported are based on trader assessments. More detailed estimates of prices and volume are still possible later.

Japan buys 78,548 tonnes of food wheat via tender

Japan's Ministry of Agriculture, Forestry and Fisheries (MAFF) bought a total of 78,548 tonnes of food-quality wheat from the United States and Canada in a regular tender that closed on Thursday.

Japan, the world's sixth-biggest wheat importer, keeps a tight grip on imports of its second-most important staple behind rice, buying the majority of the grain for milling via tenders typically issued three times a month.

MARKET MONITOR as of 06:53 GMT			
Contract	**Last**	**Change**	**YTD**
NYMEX Light Crude	$79.92 / bbl	-2.73%	2.83%
NYMEX RBOB Gasoline	$2.72 / gallon	-2.19%	12.67%
ICE Gas Oil	$801.75 / tonne	2.49%	-15.80%
NYMEX Natural Gas	$2.07 / mmBtu	3.04%	-55.11%
Spot Gold	$1,965.19 / ounce	-3.65%	11.87%
TRPC coal API 2 / Dec, 23	$132 / tonne	-7.04%	-28.55%
Carbon ECX EUA / Dec, 24	€96.13 / tonne	-2.50%	12.58%
Dutch gas day-ahead (Pre. close)	€47.25 / Mwh	8.50%	-43.23%
CBOT Corn	$6.66 / bushel	2.03%	-4.02%
CBOT Wheat	$7.00 / bushel	4.87%	-15.78%
Malaysia Palm Oil (3M)	RM3,891 / tonne	4.79%	-11.14%
Index (Total Return)	**Close 13 Apr**	**Change**	**YTD Change**
Thomson Reuters/Jefferies CRB	293.90	-0.04%	0.57%
Rogers International	27.45	-0.50%	-5.34%
U.S. Stocks - Dow	33,274.15	1.26%	2.66%
U.S. Dollar Index	101.01	-0.48%	-2.43%
U.S. Bond Index (DJ)	410.42	-0.32%	5.18%

Picture of the Day

A Repsol worker waits as he fills up a fuel tank of a hotel in Ronda, southern Spain, April 4. REUTERS/Jon Nazca

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(Inside Commodities is compiled by Shoubhik Ghosh in Bengaluru)

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